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    1C. (C) SHANGHAI 168

(U) Sensitive but unclassified. Not for dissemination outside USG channels; not for Internet distribution.

Summary

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11. (SBU) Scandal-ridden Wenzhou in Zhejiang Province was dealt another blow on April 1 when a document was posted on the internet that identified local officials who illegally bought houses at below market prices. The case reportedly is related to the mysterious disappearance last fall of Yang Xianghong, a Wenzhou Communist Party official who absconded to France (Ref A). Media reports indicated that Wenzhou residents were "outraged" by the housing scandal, especially as it comes on the heels of other scandals involving local government officials (Ref B). Separately, a Zhejiang Provincial Disciplinary Inspection Commission officer was arrested on April 14, reportedly for his involvement in the bribery case of Gome CEO Huang Guangyu. End Summary.

Scandal Strikes Again in Wenzhou

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12. (SBU) A four-page document entitled, "Name List of External Buyers of Extra Relocation Housing at a Temporary Price," which indicated that local officials in Wenzhou, Zhejiang Province were able to buy houses at far below market prices, captured netizens' attention after it was posted on the internet on April 11. The list clearly showed the buyers' names and positions, as well as exact locations, area and room numbers of the houses. The listed officials included: Wenzhou Vice Mayor Chen Zuorong, the Vice President of the Wenzhou Committee of the Chinese People's Political Consultative Conference (CPPCC), the Deputy Director of the Wenzhou Public Security Bureau, Deputy Chief Prosecutor of the Wenzhou People's Procuratorate, Office Director of Wenzhou's CPC Standing Committee, President of the Wenzhou Trade Union General, Director of the Wenzhou Industry and Commerce Bureau, and the Director of the Wenzhou Development and Reform Commission.

13. (SBU) Jin Peijing, Chief of the State Assets Management Division of the Wenzhou Old City Reconstruction Headquarters, reportedly said in a press interview on April 9 that the list was accurate. Denying her involvement in the scandal, Jin called the incident a "historic problem" that occurred in 2004 and 2005 and refused to comment on details of the case because

it occurred before she assumed her current post in September 2008.

New Revelations Add Flavor to Previous Case

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¶4. (SBU) According to various news reports related to the housing scandal, the Wenzhou Old City Reconstruction Headquarters was the work unit of You Jie, the wife of former Wenzhou official Yang Xianghong, who absconded to France in October 2008 (Ref A). You Jie was arrested for a "job-related crime" on March 31 just prior to the April 1 release on the internet of the name list. (You reportedly was charged by the People's Bank of China's Anti-Money Laundering Section for remitting RMB 20 million to the bank account of Yang Xianghong's daughter in France less than one month before Yang departed for France.)

¶5. (SBU) While the name list was not confidential according to Jin, it is not clear who posted the list on the internet. Yang Xianghong's sister, Yang Xiaohong, also was named on the list, and she reportedly took annual leave right after the list was posted online.

Development Zone Official Next Domino to Fall

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¶6. (SBU) In addition, according to Sina.com, Dai Guosen, Director of the Wenzhou Economic and Technology Development Zone and a former associate of Yang Xianghong, was under "double regulations" by the local disciplinary inspection commission. Dai, considered an up-and-coming political figure in Wenzhou who was selected as an alternate member of the 9th CPC Wenzhou Party Committee in 2003, was accused of an "economic crime" after

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disciplinary inspection commission officers reportedly found 10 Louis Vuitton bags, housing property certificates, and expensive Chinese herbs at Dai's house. Ironically, the 53-year-old Dai was the first official in Wenzhou who openly made an anti-corruption promise to the public when he was director of Wenzhou Economic and Technology Development Zone. Dai's arrest was believed to be somehow related to Yang Xianghong's case.

Wenzhou Citizens Outraged

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¶7. (SBU) Media reports indicated that Wenzhou residents were "outraged" by the housing scandal, especially as it comes on the heels of other scandals involving local government officials (Ref B). On April 10, homeowners who have not yet been compensated for their houses, which originally had been demolished to pave the way for the now tainted development, protested outside Wenzhou's Lucheng District Government headquarters. According to media reports, when redeveloping housing areas, Wenzhou Old City Reconstruction Headquarters officials would "pick up several good houses" to sell to staff members at below market prices or give to local government officials to build relations.

Provincial Inspector Also Dirty

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¶8. (SBU) Separately from the Wenzhou scandal, the Hong Kong-based Ming Pao newspaper reported on April 16 that Wang Yuanhua, Party Secretary of Zhejiang's Provincial Disciplinary Inspection Commission and a CPC Zhejiang Standing Committee member, was arrested in Hangzhou by CPC Central Disciplinary Inspection Commission (CDIC) officers on April 14 and was transferred to Beijing for an investigation into Wang's role in the bribery scandal of former Gome CEO Huang Guangyu. According to the report, Wang was transferred to Zhejiang from Guangdong Province in 2006 after rumors surfaced of his involvement with Huang when Wang was a Deputy Party Secretary of the CPC Guangdong Standing Committee and Party Secretary of the Guangdong Provincial Disciplinary Inspection Commission. Wang,

along with Chen Shaoji, a former colleague as a Deputy Party Secretary of the CPC Guangdong Standing Committee, reportedly was charged with having a "corrupt lifestyle."

Appendix: Chronology of a Scandal

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19. (SBU) The Wenzhou Housing Scandal's timeline is as follows:

--September 19, 2008: Yang Xianghong, Party Secretary of CPC Wenzhou Lucheng Standing Committee, led a delegation to France, Sweden and Austria for a work inspection tour.

--September 26, 2008: Yang did not attend an official event in Vienna, claiming that a preexisting back ailment reoccurred.

--September 27, 2008: Yang and the delegation departed for Paris.

--September 28, 2008: Yang failed to appear at a meeting and reception at the Chinese Embassy in Paris, telling delegation members that he had a medical appointment.

--September 29, 2008: The delegation departed Paris for China as scheduled, but Yang said his illness was quite serious and needed to rest in bed.

--October 2008: The Wenzhou Municipal Government dispatched two officials to Paris to convince Yang to return to China, but they were unsuccessful.

--November 12, 2008: Approved by CPC Zhejiang Standing Committee, the Zhejiang Provincial Disciplinary Inspection Commission decided to expel Yang from the Party and the Government.

--March 31, 2009: Yang Xianghong's wife, You Jie, who was an officer in Division of Development of Wenzhou Old City Reconstruction Headquarter, was arrested for a "job-related crime."

--April 1, 2009: "Name list of external buyers of extra relocation housing at a temporary price" appeared online.

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--April 13, 2009: The Wenzhou Disciplinary Inspection Commission confirmed that Dai Guosen, Director of Wenzhou Economic and Technology Development Zone, was involved in You Jie's case. Dai was under "double regulations" for economic problems.  
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